

MINUTES

Audit and Risk Committee

F19/13/05 – D22/26022

Date: Tuesday 19 July 2022 at 2pm
Venue: Council Chambers, 63 Miranda Street, Stratford

Present

Mr P Jones (the Chair) and Councillor M McKay

Via audio visual link: The District Mayor N C Volzke, the Deputy Mayor A L Jamieson and Councillor P S Dalziel.

In attendance

Councillors G W Boyde

The Chief Executive – Mr Sven Hanne, the Director Assets – Mrs V Araba, the Director Environmental Services – Mr B Sutherland, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Health & Safety/Civil Defence Advisor – Mr M Bestall (*part meeting*), the Projects Engineer/Manager – Mr S Taylor (*part meeting*) the Corporate Accountant – Mrs C Craig, and one member of the media (Stratford Press).

Via audio visual link: the Director Community Services – Ms K Whareaitu,

1. Welcome

The opening karakia was read.

The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting.

The Chair reiterated the health and safety message and emergency procedures.

2. Apologies

Apologies were received from Councillor W J Sandford, and G M Webby. A leave of absence was approved for Councillor J M S Erwood.

Recommendation

THAT the apologies be received.

McKAY/DALZIEL
Carried
A&R/22/23

3. Announcements

There were no announcements.

4. Declarations of Members Interest

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

5. Attendance Schedule

The attendance schedule for Audit and Risk Committee meetings was attached. It was noted to amend Councillor Dalziel's attendance for the May meeting to "apology".

6. Programme of Works

D21/42807 Page 11

Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2023 be received.

McKAY/JONES
Carried
A&R/22/24

- It was requested that a workshop be held prior to the next meeting to give the committee an opportunity to conduct an informal review of the Audit and Risk Committee and make a recommendation to the next Council.

7. Confirmation of Minutes

7.1 Audit and Risk Committee – 17 May 2022

D22/17590 (open) D22/17589 (PE) Page 12

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council, including the public excluded section, held on Tuesday 17 May 2022 be confirmed as a true and accurate record.

McKAY/JAMIESON
Carried
A&R/22/25

8. Matters Outstanding

D18/27474 Page 19

Recommendation

THAT the matters outstanding be received.

JONES/DALZIEL
Carried
A&R/22/26

Recommendation

THAT the report be received.

DALZIEL/McKAY
Carried
A&R/22/26

The Health and Safety/Civil Defence Advisor noted the following points:

- There have been a lot more events than in previous reports which has resulted in a busier period, however there were no significant events.
- The fluoride leak at the water treatment plant was a concern but was fixed quickly and testing is being undertaken on staff.
- There is a concern that numbers are down for trained civil defence staff (down from 47 to 39) which could cause some issues if there was a civil defence event.
- There were a few issues that required rectifying at the pool site visit, this was largely to do with the number of contractors onsite which has increased as the project is nearing completion.
- Direct Safety will be onsite next week for training on the lone worker solution.

Questions/Points of Clarification:

- It was clarified that the child in the mens changing room was a female child which can cause a number of unintended problems. The family rooms should be used in this instance.
- Councillor Boyde noted it was great to see well-being training and training for front line staff who are dealing with different situations than a couple of years ago and how they react is really important.
- Mr Bestall noted he felt quite confident with the number of vault entries due to the transparent process with the contractors which ensured everything was captured. He noted that the previous contractors had notified council of everything, he could only judge the contractors by their health and safety manuals and what they say they will do.
- The Chief Executive noted that staff had been surveyed in relation to mask wearing within the building and the results had been discussed with the senior leadership team who decided to remain with the current requirements and to review this weekly. He noted that numbers had increased over the past three week but there had not been any critical staff shortages due to covid-19. He acknowledged there was a general tiredness of the topic and that it was a difficult balancing act the moment between acknowledging this while mitigating the infection risk. This approach was consistent with many other councils at the moment.

Recommendation

THAT the report be received.

McKAY/DALZIEL
Carried
A&R/22/27

Recommended Reason

To present an update on the progress of our key capital projects in the 2021/22 financial year, as requested in the September 2021 Audit and Risk Committee meeting.

The Projects Engineer/Manager noted the following points:

- The Bike Park is almost completed and is just waiting on the installation of a CCTV camera.
- The pool is 92% and is progressing nicely and remaining on target to meet timeframes.
- The second trunk main has been delayed due to bad weather and staffing issues as a result of covid-19. Stage one is almost complete, stage two is about 25% complete and stage three is about 80% complete.
- Investigations are ongoing into the best option for the Whangamomona Camping Ground septic tank. The initial feeling is that a holding tank may be sufficient instead of an effluent pad and treatment system.
- The Economic Development and Town Centre Plans are currently being reviewed by the Community Development team.
- The School speed zones and Connecting our Communities Strategy are both out for consultation. The speed zone consultation was extended due to the Pembroke Road entrance of Taranaki Diocesan School having been added and has received 12 responses so far with 11 in favour and one in favour but questioning the ability to manage and police this. There have been about 10-12 responses received for the Connecting our Communities Strategy and all have been positive.

Questions/Points of Clarification:

- It was clarified the cost increases for the second trunk main may seem high compared to the 2017/18 estimates. They are however within reasonable range when compared to the actual tender received.
- Councillor Boyde noted his frustration that Waka Kotahi was not currently considering the speed zones outside the schools on state highway. Mr Taylor noted that officers had contacted those schools on state highway prior to consultation and they were aware that Waka Kotahi are working with council on this, however changes were not expected prior to 2026.
- It was clarified that a dumping site was being considered for the Whangamomona public toilets site at the edge of town. This was largely to provide a site for those staying in Whangamomona, but not at the campgrounds. The District Mayor noted that camper vans generally emptied their tanks at the beginning or end of their journeys and felt that this location would not be used by those passing through. Mr Taylor noted that the chemicals from these tanks were also not suitable to be put in the septic tank as they react with the chemicals in the septic tank.
- Councillor Dalziel commended the team involved on the Aquatic Centre. This was a big project for Stratford and it was rare to see projects coming in before the due date and under budget, or on budget.
- It was noted that the emerging risk from the capital projects perspective would be cost estimates in the Long Term Plan, especially with inflation increases. Mr Taylor noted that supply issues had largely settled down at the moment but that weather was also playing a part in delaying the second trunk main and some external issues at the pool where debris had ended up on the hockey turf.
- It was noted that the Surrey Street water main renewal was a week or so ahead of schedule, with the second stage to be completed in February/March when it is drier.

11. Information Report – Risk Management

D22/24256 Page 30

Recommendation

THAT the report be received.

McKAY/JONES
Carried
A&R/22/28

Recommended Reason

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

The Chief Executive noted the following points:

- This report presents the top 10 of the total 90 risks on council's risk register.
- There have been no changes to the top 10 risks since the last Audit and Risk Committee meeting except for the addition of Attracting and Retaining Staff which has been moved into the top 10 list.
- There has been a mix of normal flu and covid-19 in regards to risk 64.
- It is currently annual performance review time. As part of this the senior leadership team had engaged Strategic Pay to ensure our roles are compensated appropriately for the market. Council has been working with Strategic Pay for the past ten years as they only do local and central government. This has resulted with some roles being correct, others under and some over. These discrepancies will be adjusted during this review period and will help reduce the risk of staff leaving due to remuneration.
- Work is continuing to be undertaken in the well- being space.
- The Elected Member Decision Making risk was listed as council has just gone through its Annual Plan process which included the addition of the Forestry targeted roading rate. Staff tried to minimise risk with this decision through consultation and seeking legal opinions.
- The Government policy impacting on local government risk is ongoing. This week council will be completing its submission on the 3 waters reform which it was noted is also impacting staff in terms of travel for meetings which impacts both work and home.

Questions/Points of Clarification:

- Councillor Boyde noted risk 47 (attracting and retaining staff) and questioned if there was sufficient resource to undertake tasks such as internal audits which takes staff away from doing their day to day role and regulatory changes that are ongoing? Mr Hanne acknowledged that he did not feel there was sufficient resourcing but noted that some of the changes are in the 5-10 year bracket. He noted the annual plan process had just been completed and it was acknowledged that people are hurting and have financial pressures at the moment and in order to keep the rates increase lower there had been a reduction to the staffing budget. He noted he could justify additional resources but could not afford it.
- Mr Hanne noted that staff advice to elected members to aid in their decision making had not suffered as a result of resource availability.
- The Chairman noted he was only aware of one council in the country that was fully resourced. The government reforms are only going to escalate over the next 12 months and he noted his concern for all local authorities as they see more secondments and an inability for staff to backfill due to capacity in the workforce and could impact on council's service delivery.

12. Information Report – Civil Defence Progress and Readiness Report

D22/24213 Page 36

Recommendation

THAT the report be received.

JONES/JAMIESON
Carried
A&R/22/29

Recommended Reason

It is a function of this committee to stay abreast of Council's readiness and ability to meet its requirements and obligations as laid out in the Taranaki Civil Defence Group's constituting agreement.

The Chief Executive noted the following points:

- It had been mentioned earlier that there has been a reduction in properly trained staff. This is a combination of staff migration and lack of training opportunities. Attempts to bring the training opportunities to local facilities had not eventuated due to low numbers and it may mean it is more practical to continue holding trainings in New Plymouth at TEMO.
- Seismic assessments have been undertaken on the War Memorial Centre and the TET Multisports Centre. The information has not yet been received on the War Memorial Centre but it is unlikely that it will meet the 120% requirements. The TET Multisports Centre has resulted in some flaws being discovered. The discussion on these buildings will continue as part of the next Annual Plan process

when a better understanding of the requirements is known. It was noted that it was required to bring a building up to standard once it has been designated as an emergency centre, however it can still be used as one.

Questions/Points of Clarification:

- It was clarified that the buildings are council's responsibility. Training is funded through the National Emergency Management Agency but the physical facilities are the territorial authorities.

13. Decision Report – Internal Audit Plan – 2021/2022

D22/22475 Page 69

Recommendations

1. THAT the report be received.
2. THAT Internal Audit Plan 2021/22 be approved.

DALZIEL/McKAY
Carried
A&R/22/30

Recommended Reason

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

The Corporate Accountant noted the following points:

- This is the annual internal audit plan with the list of risks selected.
- Risks will be allocated to staff members who will work with the right people to review.
- The results will be brought back to the committee in November.

Questions/Points of Clarification:

- It was clarified that the unplanned road closures would look to see if any of these could have been avoidable with routine inspections such as the culvert by Hollard Gardens. It was also look at how these are recorded, the mitigation and response after the event.
- It was agreed that council may not have the necessary expertise in-house to undertake the review on its cyber security, however the staff member assigned this risk would work with the IT Manager and an external party to review this risk.
- The concern over resourcing and this task adding pressure to staff was noted, it was acknowledged that staff continue to do the best they can with their day to day tasks and any issues that arise as a result of undertaking internal audit tasks will be dealt with as they arise. If it needs to be completed externally then this will be considered.
- It was noted that the review of contractor management and the swimming pool stock take would be undertaken in addition to these identified risks.
- It was clarified that there is approximately \$20,000 retail value of stock at the swimming pool through items such as swimwear, swim equipment, food and drinks. This will be done to ensure the stock all lines up prior to the move to the new facility.
- Councillor Dalziel noted the importance of these reviews being undertaken, particularly when there is extra pressure to ensure no activities are overlooked or not completed.

14. Decision Report – Amend Treasury Management Policy
D22/23658 Page 80

Recommendations

1. THAT the report be received.
2. THAT the Treasury Management Policy be amended to remove the wording “*The maximum investment with any one counterparty will be \$4,000,000. However, this limit may be breached if approval is given by the Chair of the Audit and Risk Committee and one of the Chief Executive or the Mayor (approval may be given retrospectively but notification to the Chair must be given on the same day). The Audit and Risk Committee must be notified of any breaches at their next meeting.*” from the policy.

DALZIEL/McKAY
Carried
A&R/22/31

Recommended Reason

Council has found that over the past few years of regularly breaching this limit, that the risk of doing so has been negligible.

The Corporate Accountant noted that this report recommending the removal of the limit of \$4 million investment with any one counterparty for a term investment. This was requested by Elected Members.

Questions/Points of Clarification:

- The District Mayor noted that this had not served much purpose in a practical sense. He noted that when council has looked to invest money it has almost invariably been with Westpac as the most generous place to invest which results in a request to approve the breach of policy. He noted the approval only gave acknowledgement that it was going to happen rather than any security to the decision and felt it was a pointless requirement.
- Councillor Dalziel noted that the policy states that council will only invest with financial institutions with a credit rating of A- or better. He questioned why Westpac was always the best option with the market usually evening out.

15. Decision Report – Financial Budget Modelling Options
D22/23659 Page 93

Recommendations

1. THAT the report be received.
2. THAT the Committee endorses the approach taken by staff to continue to prepare annual and ten-year budgets with a spreadsheet model.

VOLZKE/DALZIEL
Carried
A&R/22/32

Recommended Reason

There are a number of substantial changes occurring in the Local Government Sector from 1 July 2024, and it is suggested that the outcome of these legislative changes be well understood by staff before investigating and investing in a new budget model.

The Corporate Accountant noted the following points:

- The committee had requested a report be brought regarding the spreadsheets for the Long Term Plan and Annual Plan budgets and the potential risks and options moving forward.

- Everything that has been looked into has some sort of spreadsheet input required so it is recommended to retain the status quo and revisit in a year or two as a different modelling system may be required following the various reforms.

Questions/Points of Clarification:

- The Chairman suggested that this be brought back to the new committee identifying the risks and developments as part of the next Long Term Plan process identifying the risks raised by audit and if they have been adequately addressed. This would ensure officers also have a better idea of what will be required for the budgets.
- Councillor Dalziel supported the recommendation but felt a software package would provide better efficiencies in future years compared to the current manual spreadsheet system and would reduce risks and potential errors. The Chief Executive noted that hours had been spent looking into products for this purpose and none would do what is needed from start to finish, everything has ended up that the programme would just be part of the solution and would introduce more risk with using more than one programme.
- The Chairman noted that when the in-home model had been developed at Western Bays spreadsheets were still used. There had been no savings in the first year as it cost with time and resources to develop and learn the model, savings are generally seen when it is used for five plus years and council does not currently know what the long term plan requirements will be post 2024.
- The District Mayor noted the auditor's comments regarding fraud, data entry, cell ranges etc are all problematic no matter what system is used. He noted these risks can be mitigated by restricting who has access and ongoing checking. This system has served council reasonably well in the past.

16. Decision Report – Asset Valuation Process for Annual Report 2021/22

D22/22330 Page 100

Recommendations

1. THAT the report be received.
2. ~~THAT the Committee approves the recommendation from the independent valuers that full revaluations are not required for roading, waters, and the land and building assets as at 30 June 2022.~~
2. THAT the Committee supports and agrees with the recommendation from the independent valuers that full revaluations are not required for roading, waters, and the land and building assets as at 30 June 2022 as this complies with PBE IPSAS17 and guidance provided by NAMS on valuation and depreciation and valuation standards.

JONES/DALZIEL
Carried
A&R/22/33

Recommended Reason

Independent valuers have indicated that a full revaluation is not required.

The Chairman noted he supported the approach undertaken by staff, this approach is robust and complies with NAMS guidelines, accounting standards and valuation standards.

Questions/Points of Clarification:

- It was clarified that when discussing the potential effects of not completing the revaluation with the audit manager they have confirmed it will form part of the management letter but not lead to a modified audit opinion.
- It was clarified that the projected movements on page 102, would not form part of the financial planning as it is too late for the Annual Plan and new figures will be provided to assist with the next Annual Plan budget.

17. Correspondence

- Deloitte – Planning Report to Audit and Risk Committee for year 30 June 2022
Page 116

Questions/Points of Clarification

- It was noted that the annual fee from Audit NZ last year was \$110,000 plus disbursements such as accommodation, travel and food. The fee this year was as set by Audit NZ.

18. General Business

There was no general business.

19. Questions

There was no questions.

20. Closing karakia

D21/40748 Page 144

The closing karakia was read.

The meeting closed at 3.16pm.

P Jones
Chairman

Confirmed this 20th day of September 2022.

N C Volzke
District Mayor